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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

COMMISSIONERS:

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SUSAN BITTER SMITH

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DEC 22 2014

ARIZONA CORPORATION COMMISSION
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In the matter of:

Docket No. S-20920A-14-0388

Red Mountain Funding, Inc., an Arizona
corporation,**RESPONDENTS' ANSWER**Bryan J. Sammons and Mary L. Sammons, husband
and wife

Respondents.

Respondents Red Mountain Funding, Inc. ("Red Mountain"), Bryan Jr. Sammons ("Mr. Sammons"), and Mary L. Sammons ("Mrs. Sammons") (collectively the "Respondents") Answer the November 14, 2014 Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties and Order for Other Administrative Action (hereafter, the "Notice"), by admitting, denying and alleging as set forth below.

1. Answering Paragraph 1 of the Notice, Respondents state that this paragraph presents a legal conclusion that does not require a response. In addition, Respondents deny that the Commission has any Constitutional authority in this matter. *See Corporation Comm'n v. Pacific Greyhound Lines*, 54 Ariz. 159, 94 P2d 443 (1939) (holding that the Arizona Corporation Commission's constitutional authority is limited to setting utility rates).

2. Answering Paragraph 2 of the Notice, Respondents note that the phrase "at all relevant times" is not defined and, therefore, they are without sufficient information to form a belief as to the truth of the allegations and deny same. Respondents admit that Red Mountain Funding, Inc. was organized under the laws of the State of Arizona in November 1999.

3. Respondents admit the allegations in Paragraph 3 of the Notice.

4. Answering Paragraph 4 of the Notice, Respondents admit that Bryan J. Sammons is

1 married and is a resident in Arizona and deny any remaining allegations in Paragraph 4.

2 5. Respondents admit the allegations in Paragraph 5 of the Notice.

3 6. Answering Paragraph 6 of the Notice, Respondents note that the phrase "at all
4 relevant times" is not defined and, therefore, they are without sufficient information to form a
5 belief as to the truth of the allegation and deny same. Respondents further state that this paragraph
6 contains a legal conclusion that does not require a response. Respondents admit that Mary Lou
7 Sammons is the spouse of Bryan J. Sammons.

8 7. Answering Paragraph 7 of the Notice, Respondents note that the phrase "at all
9 relevant times" is not defined and, therefore, they are without sufficient information to form a
10 belief as to the truth of the allegation and deny same. Respondents further state that this paragraph
11 contains a legal conclusion. Respondents are without information sufficient to form a belief as to
12 the truth of the allegations contained in this paragraph and, therefore, deny the remaining
13 allegations of Paragraph 7.

14 8. Answering Paragraph 8 of the Notice, Respondents are without sufficient
15 information to form a belief as to what is meant by "offered and sold" and, therefore, deny the
16 allegations in Paragraph 8. RMF admits it has issued promissory notes to lenders.

17 9. Answering Paragraph 9 of the Notice, Respondents note the phrase "at all relevant
18 times" is not defined and, therefore, they are without sufficient information to form a belief as to
19 the truth of the allegation and, therefore, deny same. RMF admits its notes were not registered.

20 10. Answering Paragraph 10 of the Notice, Respondents are without sufficient
21 information to form a belief as to what is meant by "during the relevant period," "flyers," "mass
22 mailings," "cold calls" and "pre-existing relationship" and, therefore, they deny the allegations in
23 Paragraph 10 that refer to those terms. RMF admits its lenders were contacted in different ways.

24 11. Answering Paragraph 11 of the Notice, Respondents state that whatever documents
25 are being referred to speak for themselves and deny any attempt to characterize them.

26 12. Answering Paragraph 12 of the Notice, given the general nature of the allegations
27 and the failure to identify the "investors" referred to, Respondents are without sufficient

1 information to form a belief as to the truth of the allegations and, therefore, they deny the
2 allegations in Paragraph 12. Respondents admit lenders provided funds that were used by RMF for
3 its business.

4 13. Answering Paragraph 13 of the Notice, Respondents are without sufficient
5 information to form a belief as to what is meant by "majority of RMF Note investors" and,
6 therefore, deny those allegations. Respondents admit RMF issued promissory notes to lenders.
7 The terms of the promissory notes speak for themselves and deny any attempt to characterize it.
8 Respondents are without sufficient information to form a belief as to the truth of the remaining
9 allegations and, therefore, they deny the remaining allegations in Paragraph 13.

10 14. Answering Paragraph 14 of the Notice, Respondents are without sufficient
11 information to form a belief as to what is meant by "a smaller percentage of the RMF Note
12 investors" and, therefore, deny those allegations. Respondents admit RMF issued promissory notes
13 to lenders. The terms of the promissory notes speak for themselves and deny any attempt to
14 characterize it. Respondents are without sufficient information to form a belief as to the truth of
15 the remaining allegations and, therefore, they deny the remaining allegations in Paragraph 14.

16 15. Answering Paragraph 15 of the Notice, Respondents state that a document's
17 language speaks for itself and deny any attempt to characterize it. Respondents are without
18 sufficient information to form a belief as to the truth of the allegations and, therefore, they deny the
19 allegations in Paragraph 15.

20 16. Answering Paragraph 16 of the Notice, Respondents state that any statement on a
21 website speaks for itself and deny any attempt to characterize any such statements. Respondents
22 admit that RMF maintained a website. Respondents are without sufficient information to form a
23 belief as to the truth of the allegations and, therefore, they deny the allegations in Paragraph 16.

24 17. Answering Paragraph 17 of the Notice, Respondents state that any statement on a
25 website speaks for itself and deny any attempt to characterize any such statements. Respondents
26 admit that RMF maintained a website. Respondents are without sufficient information to form a
27 belief as to the truth of the allegations and, therefore, they deny the allegations in Paragraph 17.

1 18. Answering Paragraph 18 of the Notice, Respondents note the phrase "the relevant
2 period" is not defined and, therefore, they are without sufficient information to form a belief as to
3 the truth of the allegations and, therefore, they deny the allegations in Paragraph 18. Respondents
4 admit RMF issued notes to lenders.

5 19. Answering Paragraph 19 of the Notice, Respondents are without information
6 sufficient to form a belief as to the truth of the allegations and, therefore, they deny the allegations
7 in Paragraph 19. RMF admits it issued notes to lenders. Respondents state the notes speak for
8 themselves and deny any attempt to characterize them.

9 20. To the extent not admitted above, Respondents deny the allegations in Paragraphs
10 20 - 24.

11 21. Answering Paragraphs 1 through 5 under the heading "Requested Relief,"
12 Respondents deny that the Division is entitled to any relief.

13 22. Respondents have requested a hearing pursuant to A.R.S. § 44-1972.

14 23. Respondents deny each and every allegation not specifically admitted above.

15 **AFFIRMATIVE DEFENSES**

16 1. For their first affirmative defense, Respondents allege that the Notice fails to state a
17 claim upon which relief can be granted and this matter should be dismissed in its entirety with
18 prejudice, and with attorneys' fees and costs awarded to the Respondents.

19 2. For their second affirmative defense, Respondents allege that all of their actions
20 were taken for a proper purpose.

21 3. For their third affirmative defense, the Respondents allege that they have not taken
22 any improper action within or from the State of Arizona.

23 4. For their fourth affirmative defense, Respondents allege that the lenders have
24 suffered no injuries or damages.

25 5. For their fifth affirmative defense, Respondents allege that Mr. Sammons acted in
26 good faith.

27 6. For their sixth affirmative defense, Respondents allege claims in the Notice and

1 restitution are barred, in whole or in part, because of ratification.

2 7. For their seventh affirmative defense, Respondents allege claims in the Notice and
3 restitution are precluded, in whole or in part, by offsets.

4 8. Respondents allege such other affirmative defenses set forth in Arizona Rule of
5 Civil Procedure 8(c), as may be determined to be applicable through discovery.

6 9. Respondents reserve the right to amend this Answer to assert additional defenses
7 after completion of appropriate discovery.

8 RESPECTFULLY SUBMITTED this 22nd day of December, 2014.

9 ROSHKA DeWULF & PATTEN, PLC

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11 By  to.

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1 ORIGINAL and thirteen copies of the foregoing
2 filed this 22nd day of December, 2014 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered
8 this 22nd day of December, 2014 to:

9 Mark Preny, Administrative Law Judge
10 Hearing Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 James Burgess, Esq.
15 Securities Division
16 Arizona Corporation Commission
17 1300 West Washington Street, 3rd Floor
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20 RedMountain.ACC/pld/Answer
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